

ORIGINAL



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Lora Magruder
Manager, Government Relations

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FEB - 7 2000
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY
EX PARTE OR LATE FILED

February 7, 2000

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
The Portals - 445 Twelfth Street, S.W.
Washington, D.C. 20554

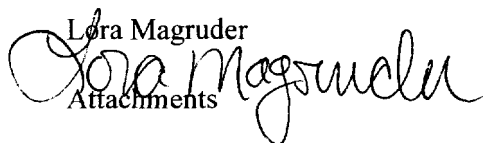
**Re: Ex Parte Notice, CC Docket No. 80-286,
In the Matter Of Jurisdictional Separations
Reform and Referral to the Federal-State Joint
Board.**

Dear Ms. Salas:

On Friday, February 4 the attached material was sent via e-mail and U.S. mail to state members of the Federal-State Joint Board on Separations.

In accordance with Commission rules, I am submitting two copies of this notice. Kindly stamp the additional return copy provided. Please direct any questions to me.

Sincerely,

Lora Magruder

Attachments

CC: Diane Munns, Iowa UB
Joan H. Smith, Oregon PUC
Thomas L. Welch, Maine PUC
Joseph P. Mettner, Wisconsin PSC
Frederick Sistarenick, New York PSC
Joel Shifman, Maine PUC
James Bradford Ramsay, NARUC
Samuel Loudenslager, Arkansas PSC
Jeffrey Richter, Wisconsin PSC
Cynthia VanLanduyt, Oregon PUC
Sandra Ibaugh, Indiana URC
Jonathan Lakritz, California PUC
Peter M. Bluhm, Vermont PSB
Lorraine Kenyon, RC Alaska

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DATE CODE

SEPARATIONS FREEZE PROPOSAL FOR NON-PRICE CAP COMPANIES

- Increasing levels of Internet traffic, changes in network technologies, and numerous other factors, are raising fundamental separations and jurisdictional issues
- Internet traffic impacts alone provide a compelling case for an interim freeze of separations factors:
 - ⇒ Based on NECA Traffic Sensitive pool cost company data, approximately 18% of 1998 local/intrastate dial equipment minutes (DEM) represent Internet traffic
 - ⇒ This results in a \$170 million misallocation of costs to the intrastate jurisdiction
- An interim separations freeze based on a representative historical period must be put into effect immediately
- Separations freeze must stop the unjustified cost shifts at a point before they have done serious damage to the reliability of the usage factors
- **INDUSTRY PROPOSAL FOR NON-PRICE CAP COMPANIES:**
 - ⇒ Immediate interim separations factors freeze based on the 1995-1997 three-year average period
 - ⇒ Optional freeze of categorization relationships based on the same three-year average period
- Factor freeze results in minimal cost shifts. Comparing a factor freeze based on three-year average of 1995 – 1997 to base year 1998:
 - ⇒ Approximately 69% of NECA cost company study areas fall within a \$2 per line per month jurisdictional cost shift
- Factor freeze and optional freeze of categorization relationships should be applied prospectively

SEPARATIONS FREEZE PROPOSAL FOR NON-PRICE CAP COMPANIES

Impact on NECA Cost Company Study Areas

DIFFERENCE PER LOOP PER MONTH		1995, 1996 & 1997 FACTOR FREEZE COMPARED TO BASE 1998		1995, 1996 & 1997 FACTOR & CATEGORIZATION FREEZE COMPARED TO BASE 1998	
		# OF STUDY AREAS	% OF TOTAL STUDY AREAS	# OF STUDY AREAS	% OF TOTAL STUDY AREAS
Shift to Interstate	\$5+	23	3.9%	33	5.6%
	\$4 to \$5	11	1.9%	15	2.5%
	\$3 to \$4	13	2.2%	29	4.9%
	\$2 to \$3	18	3.0%	64	10.8%
	\$1 to \$2	39	6.6%	64	10.8%
	\$0 to \$1	104	17.5%	113	19.0%
Shift to State	\$-1 to \$-0	175	29.5%	122	20.5%
	\$-2 to \$-1	93	15.7%	53	8.9%
	\$-3 to \$-2	50	8.4%	41	6.9%
	\$-4 to \$-3	31	5.2%	24	4.0%
	\$-5 to \$-4	12	2.0%	13	2.2%
	Below \$-5	25	4.2%	23	3.9%
TOTAL		594	100.0%	594	100.0%
Shift to State Avg. Avg Per Line/Mo		\$0.46		\$0.06	
Sample Avg Per Line/Mo		\$0.26		(\$0.46)	

te:

lar impact of categorization relationship freeze reflects interstate access only, not USF support.



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Gina Harrison
Senior Counsel and Director
Washington Office

February 4, 2000

Hon. Diane Munns
Commissioner
Iowa Utilities Board
350 Maple Street
Des Moines, Iowa 50319

Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board

Dear Commissioner Munns:

As you know, jurisdictional treatment of Internet traffic is an open, and ever-more pressing issue for federal and state regulators on the Separations Joint Board. NECA has submitted for this proceeding's record a survey for 1998 showing that 18% of its pool members intrastate minutes are Internet traffic, resulting in a \$170 misallocation to the states. An interim separations freeze has been proposed to arrest the problem temporarily, while a permanent resolution is achieved. Recently, the industry arrived at a consensus on the parameters of such a freeze. The attached material reflects the proposal for rate-of-return carriers, accompanied by an analysis of the impact of the proposal on NECA local exchange carriers.

NECA would like to schedule a time to speak to you in more depth regarding this consensus position, preferably in advance of the NARUC March meetings in Washington. May I call you to do? In the meantime, I would be delighted to answer any questions you may have, or to assist in any way.

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Gina Harrison
Senior Counsel and Director
Washington Office

February 4, 2000

Thomas L. Welch
Chairman
Maine Public Utilities Commission
242 State Street
State House Station 18
Augusta, Maine 04333-0018

Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board

Dear Mr. Welch:

As you know, jurisdictional treatment of Internet traffic is an open, and ever-more pressing issue for federal and state regulators on the Separations Joint Board. NECA has submitted for this proceeding's record a survey for 1998 showing that 18% of its pool members intrastate minutes are Internet traffic, resulting in a \$170 misallocation to the states. An interim separations freeze has been proposed to arrest the problem temporarily, while a permanent resolution is achieved. Recently, the industry arrived at a consensus on the parameters of such a freeze. The attached material reflects the proposal for rate-of-return carriers, accompanied by an analysis of the impact of the proposal on NECA local exchange carriers.

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Gina Harrison
Senior Counsel and Director
Washington Office

February 4, 2000

Hon. Joan H. Smith
Commissioner
Oregon Public Utility Commission
550 Capitol Street, N.E.
Salem, Oregon 97310-1380

Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board

Dear Commissioner Smith:

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February 4, 2000

Hon. Joseph P. Mettner
Commissioner
Wisconsin Public Service Commission
P.O. Box 7854
Madison, WI 53707

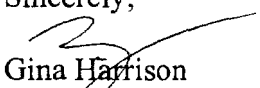
Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board

Dear Commissioner Mettner:

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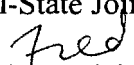
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Gina Harrison
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February 4, 2000

Frederick Sistarenick
New York Public Services
Commission
Three Empire State Plaza
Fifth Floor
Albany, New York 12223-1350

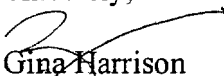
Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board


Dear Mr. Sistarenick:

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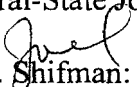
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Gina Harrison
Senior Counsel and Director
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February 4, 2000

Joel Shifman
Maine Public Utilities Commission
242 State Street
State House Station 18
Augusta, Maine 04333-0018

Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board

Dear Mr.  Shifman:

As you know, jurisdictional treatment of Internet traffic is an open, and ever-more pressing issue for federal and state regulators on the Separations Joint Board. NECA has submitted for this proceeding's record a survey for 1998 showing that 18% of its pool members intrastate minutes are Internet traffic, resulting in a \$170 misallocation to the states. An interim separations freeze has been proposed to arrest the problem temporarily, while a permanent resolution is achieved. Recently, the industry arrived at a consensus on the parameters of such a freeze. The attached material reflects the proposal for rate-of-return carriers, accompanied by an analysis of the impact of the proposal on NECA local exchange carriers.

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Senior Counsel and Director
Washington Office

February 4, 2000

Samuel Loudenslager
Director
Research and Policy Development
Arkansas Public Service Commission
1000 Center Building
Little Rock, Arkansas 72201

Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board


Dear Mr. Loudenslager:

As you know, jurisdictional treatment of Internet traffic is an open, and ever-more pressing issue for federal and state regulators on the Separations Joint Board. NECA has submitted for this proceeding's record a survey for 1998 showing that 18% of its pool members intrastate minutes are Internet traffic, resulting in a \$170 misallocation to the states. An interim separations freeze has been proposed to arrest the problem temporarily, while a permanent resolution is achieved. Recently, the industry arrived at a consensus on the parameters of such a freeze. The attached material reflects the proposal for rate-of-return carriers, accompanied by an analysis of the impact of the proposal on NECA local exchange carriers.

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Senior Counsel and Director
Washington Office

February 4, 2000

James Bradford Ramsay
NARUC Observer
Assistant General Counsel
1100 Pennsylvania Ave. N.W., Suite 603
Washington, D.C. 20004

Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board

Dear Mr. Ramsay:

As you know, jurisdictional treatment of Internet traffic is an open, and ever-more pressing issue for federal and state regulators on the Separations Joint Board. NECA has submitted for this proceeding's record a survey for 1998 showing that 18% of its pool members intrastate minutes are Internet traffic, resulting in a \$170 misallocation to the states. An interim separations freeze has been proposed to arrest the problem temporarily, while a permanent resolution is achieved. Recently, the industry arrived at a consensus on the parameters of such a freeze. The attached material reflects the proposal for rate-of-return carriers, accompanied by an analysis of the impact of the proposal on NECA local exchange carriers.

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Senior Counsel and Director
Washington Office

February 4, 2000

Jeffrey J. Richter
Wisconsin Public Service Commission
610 North Whitney Way
Madison, Wisconsin 53707-7854

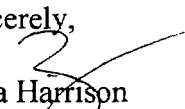
Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board

Dear Mr. Richter:

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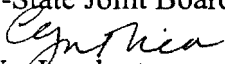
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February 4, 2000

Cynthia VanLanduyt
Oregon Public Utility Commission
550 Capitol Street, N.E.
Salem, Oregon 97310-1380

Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board


Dear Ms. VanLanduyt:

As you know, jurisdictional treatment of Internet traffic is an open, and ever-more pressing issue for federal and state regulators on the Separations Joint Board. NECA has submitted for this proceeding's record a survey for 1998 showing that 18% of its pool members intrastate minutes are Internet traffic, resulting in a \$170 misallocation to the states. An interim separations freeze has been proposed to arrest the problem temporarily, while a permanent resolution is achieved. Recently, the industry arrived at a consensus on the parameters of such a freeze. The attached material reflects the proposal for rate-of-return carriers, accompanied by an analysis of the impact of the proposal on NECA local exchange carriers.

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Senior Counsel and Director
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February 4, 2000

Sandra Ibaugh
Indiana Utility Regulatory Commission
302 West Washington Street
Suite E306
Indianapolis, Indiana 46204

Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board

Dear Ms. Ibaugh:

As you know, jurisdictional treatment of Internet traffic is an open, and ever-more pressing issue for federal and state regulators on the Separations Joint Board. NECA has submitted for this proceeding's record a survey for 1998 showing that 18% of its pool members intrastate minutes are Internet traffic, resulting in a \$170 misallocation to the states. An interim separations freeze has been proposed to arrest the problem temporarily, while a permanent resolution is achieved. Recently, the industry arrived at a consensus on the parameters of such a freeze. The attached material reflects the proposal for rate-of-return carriers, accompanied by an analysis of the impact of the proposal on NECA local exchange carriers.

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Gina Harrison
Senior Counsel and Director
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February 4, 2000

Jonathan Lakritz
California Public Utilities Commission
California State Building
505 Van Ness Avenue
San Francisco, California 94102-3298

Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board

Dear Mr. Lakritz:

As you know, jurisdictional treatment of Internet traffic is an open, and ever-more pressing issue for federal and state regulators on the Separations Joint Board. NECA has submitted for this proceeding's record a survey for 1998 showing that 18% of its pool members intrastate minutes are Internet traffic, resulting in a \$170 misallocation to the states. An interim separations freeze has been proposed to arrest the problem temporarily, while a permanent resolution is achieved. Recently, the industry arrived at a consensus on the parameters of such a freeze. The attached material reflects the proposal for rate-of-return carriers, accompanied by an analysis of the impact of the proposal on NECA local exchange carriers.

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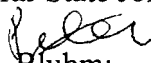
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February 4, 2000

Peter M. Bluhm
Vermont Public Service Board
Drawer 20
Montpelier, Vermont 05620-2701

Re: CC Docket No. 80-286, In the Matter Of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board


Dear Mr. Bluhm:

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Lorraine Kenyon
Alaska Public Utilities Commission
Suite 400
Anchorage, Alaska 99501-1693

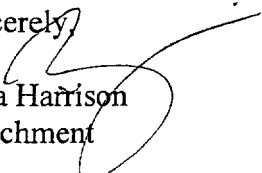
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